

**PILOT LOCAL GOVERNMENT
PARTNERSHIP PROGRAM**

**ACTIVITIES CARRIED OUT IN THE
AREA OF STRATEGIC
MANAGEMENT, BUDGETING, AND
FINANCE**

Prepared for

East European Regional Housing Sector Assistance Project
Project 180-0034
U.S. Agency for International Development, ENI/EEUD/UDH
Contract No. EPE-C-00-95-001100-00, RFS No. 631

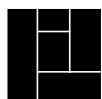


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October 1997
UI Project 06610-631

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INTRODUCTION: THE GOALS OF THE STRATEGIC MANAGEMENT, BUDGETING AND FINANCE MODULE

In its original conception the Strategic Management, Budgeting and Finance component of the Pilot Local Government Partnership Program (LGPP) was to:

- Provide city officials with strategic management finance and budgeting tools that will help them integrate, plan, and execute their most pressing responsibilities.
- Use the repeated application of these standardized tools to gather well documented information about systemic legal, regulatory and financial problems that gminas face in order to help policy makers, municipal associations and other concerned institutions (including USAID) focus reform efforts on the most important obstacles to the sound financial management of gminas.

In practice, however, most of the Pilot Gminas came into the program with well developed agendas for work under the Pilot LGPP. As a result, it was decided that technical assistance should focus on gminas' existing agendas rather than on the implementation of practices which are in fact designed to help top city management make strategic choices about where to focus their energies.

Thus, work under this module has concentrated on developing a standardized, replicable tool that would be applied at the beginning of the technical assistance process under future aid efforts in most if not all partner gminas in order to help them decide what types of technical assistance they need or want most. In addition, the application of this standardized tool would provide USAID and outside policy makers with comprehensive base-line information about the budgets of partner gminas so that the effects of the Pilot LGPP and the systemic changes that take place during its life could be measured.

In what follows we describe this tool, which we call the Budget Bench-marking and Analysis Spread Sheets (BBASS). It has been developed in cooperation with the City of Ostrow Wielkopolski, and with the advice and input of the City of Szczecin.

THE BUDGET BENCH-MARKING AND ANALYSIS SPREAD SHEETS (BBASS)

The BBASS is a set of integrated, user friendly spread sheets designed to record, automatically analyze and track trends in gmina revenues and expenditures, and in particular to identify trends in revenue collection, and operating costs.

The spread sheets are built on an Excel platform that has been programed in Visual Basic to lead users through both the data entrance process and the analysis of results. The data entrance interfaces' contain numerous help keys to guide users through the process. There are also explanatory pages that

discuss the importance of certain types of information and measurements, and which explain the use of the graphs and charts that are automatically generated by the program. Finally, there are help keys for the adjustment of the instrument to different computer configurations.

The spread sheets have been designed by Tony Levitas and Mikolaj Herbst. Mikolaj Herbst has done all the complicated programming that makes the BBASS easy to use.

Data Entry

BBASS contains four distinct data entrance interfaces for:

- Basic Information about the Gmina
- Budget revenue information
- Budget expenditure information
- Select, comparative information on the budget performance and per capita trends of other gminas of similar size and structure

The information for the three first data entrance interfaces comes directly from a gmina's budget or from other documents that are readily available in different department of the city administration. The comparative information on gminas of similar size and structure is drawn from the GUS data base for all gminas and will be provided by the administrators of the tool, be it the Municipal Development Agency, the Pilot LGPP, or some other interested institution.

The interface for "Basic Information about the Gmina" asks the user to enter information for the last three years on the following basic subjects:

- Size of gmina
- Neighboring gminas
- Total population
- Number of unemployed
- Number of primary school students
- Number of full time employees in the school system
- Number of individuals paying the real-estate tax
- The number of firms paying the real estate tax
- Sum of real-estate taxes paid by the largest ten tax payers
- Sum of real-estate taxes not paid by the ten largest debtors
- Sum of all unpaid real-estate taxes
- Number of registered cars

These data are then used with the data entered on the subsequent three interfaces to generate a variety of performance measures and ratios, some of which we will return to below. In the future, we expect to expand the interface on Basic Gmina Information to include data that will help analyze the performance of municipal utilities.



The interfaces for revenue and expenditure information are designed to look like the typical gmina budgets and information using the standard chapter, sub-chapter and paragraph format required by law.

The revenue interface also provide a fourth code line to distinguish between recurring and non-recurring revenues from gmina assets, and prompts the user to make this distinction and enter the appropriate code when entering revenues that come from gmina assets. This fourth code allows the BBASS to automatically divide gmina revenues into recurring and non recurring assets.

The expenditure interface similarly has a fourth code line to allow for the automatic segregation of expenditures on own tasks, and delegated tasks.

Finally, the “Comparative Data” interface takes in information about the revenues and expenditures of gminas of similar size and structure. This data must be provided to gminas from outside because it is impossible to include three years of GUS data within the program.

On the revenue side this comparative information includes per capita data on:

- Shared taxes
- The general subsidy
- The education subsidy
- Special purpose grants
- The real estate tax
- Other own-income
- Total income

On the expenditure side this information includes per capita data on:

- Total investment expenditures
- Total operating expenditures
- Total wage expenditures
- Total expenditures by major budgetary chapters (e.g., education, housing, administration, etc.)
- Total expenditures

Presentation of Basic Results

Once the data has been entered, the programing automatically regroups the information and generates over 70 distinct graphs, tables and measurement ratios. These graphs and tables can be divided into four basic groups:

- Those that analyze trends in particular revenue categories or groups of revenue categories for an individual gmina.
- Those that analyze trends in particular expenditure categories or groups of expenditure categories for an individual gmina.
- Those that compare particular revenue and expenditure trends for an individual gmina.
- Those that compare individual gmina revenue and expenditure trends with those of the population of similarly situated gminas.

All of the tables automatically present data in constant zlotys. Line items, or groups of line items, are also automatically presented: in per capita terms; in terms of real growth or decline from year to year; in terms of their share in total revenues or expenditures; and in terms of their share of revenues or expenditures of a similar type.

As a result of the automatic calculation of these values, BBASS immediately provides top city managers with a comprehensive picture of budgetary trends, enabling them to compare individual budget lines form year to year, or more usefully, salient groupings of them.

On the revenue side, these salient grouping include, own taxes and revenues, shared taxes, and grants and subsidies. Moreover, data on own taxes and revenues is automatically regrouped into recurring and non-recurring revenues, so as to facilitate better long term planning of operating surpluses.

Among the more interesting tables that this part of the BBASS generates are those that deal with:

- Trends in the non-payment of the real estate and transport taxes for individuals and firms
- Trends in non-recurring income, particularly sales of gminas assets
- Trends in recurring income from particular revenue lines such as user fees and charges, rental property, fines and parking fees
- Trends in special purpose grants and subsidies from the central government

On the expenditure side, data is regrouped into six basic categories that can be automatically analyzed by budget chapter, or for the entire budget as a whole. These salient categories are:

- Wages and social security payments
- Material and non-material services
- Investments

- Social welfare payments and other transfers to individuals
- Materials, supplies and energy
- Other expenditures

These groupings make it easy for city officials to identify, for instance, wage trends associated with different activities such as education or city administration, or to track, again, for instance, energy costs within the school system or for the city as a whole. Most importantly they automatically allow for the separation of operating and investment expenditures.

As mentioned above, the third set of basic results automatically compares certain revenue and expenditure categories. Among the more interesting graphs and tables in this section are:

- Education subsidy compared to expenditures on primary school education
- Subsidies for delegated tasks to expenditures on delegated tasks
- Own Revenues from taxes and user fees to debt service payments
- Revenues from particular user fees and tax to expenditures in the same areas (e.g., transport tax and parking fees to expenditures on roads)

Finally, BBASS allows many of the trends found within a gmina's individual budget to be compared to trends found in gminas of similar sizes and situations. Among the more interesting comparative tables and graphs are the following.

- Per capita revenue trends by total and major revenue categories compared to 30 cities of similar population, all cities in Voivodship, all cities in country.
- Shares of major revenue categories compared to 30 cities of similar population, all cities in Voivodship, all cities in country.
- Per capita expenditure trends by wages, investments, and all other operating expenses, as well as by budgetary chapter, compared to 30 cities of similar population, all cities in Voivodship, all gminas in the country.
- Shares of major expenditure types and chapters compared to 30 cities of similar population, all cities in Voivodship, all gminas in country.

APPLICATION OF THE BBASS

Improvements are currently being made in the BBASS that will make it fully available as a standard tool under the Pilot LGPP by the end of the month. As a tool, gmina officials should be fully capable of applying it with a minimum of external support. In the future, its use should be with the Gmina Financial Analysis Model and the Enterprise Financial Analysis Model to yield comprehensive data on all aspects of a gmina's budget. It is also an ideal tool for measuring the overall impact of the Pilot LGPP over the years to come.